



RULE-MAKING ORDER

CR-103 (June 2004)
(Implements RCW 34.05.360)

Agency: Insurance Commissioner

☒ **Permanent Rule**
☐ **Emergency Rule**

Effective date of rule:

Permanent Rules

☒ 31 days after filing.
☐ Other (specify) _____ (If less than 31 days after filing, a specific finding under RCW 34.05.380(3) is required and should be stated below)

Effective date of rule:

Emergency Rules

☐ Immediately upon filing.
☐ Later (specify) _____

Any other findings required by other provisions of law as precondition to adoption or effectiveness of rule?

☐ Yes ☒ No If Yes, explain:

Purpose: The purposes served by these new rules are to: (1) implement the provisions of RCW 48.17.150(1)(g)(ii) by establishing a procedure to permit agents to represent insurers prior to receipt of notification by the commissioner of the appointment; (2) clarify current procedures by using principles consistent with the Governor's executive order regarding "plain talk"; (3) broadening the methods acceptable to the commissioner for communicating information to include transmission by electronic means; (4) encouraging insurers and other appointing authorities to use the National Insurance Producer Registry (NIPR) internet gateway to appoint and terminate the appointments of agents; and (5) promote uniformity of Washington State's producer licensing procedures with those of other states. It is anticipated that the effects of the new rules will be to: (1) reduce the commissioner's processing time for appointments; (2) permit licensed agents to represent an insurer immediately upon appointment by the insurer; and (3) reduce the amount of time for licensed agents to begin soliciting insurance on behalf of insurers.

Insurance Commissioner Matter No. R 2005-06

Citation of existing rules affected by this order:

Repealed: WAC 284-17-400, 284-17-410, 284-17-420

Amended:

Suspended:

Statutory authority for adoption: RCW 48.02.060(3)(a) and 48.17.150(1)(g)(ii)

Other authority :

PERMANENT RULE ONLY (Including Expedited Rule Making)

Adopted under notice filed as WSR 06-08-100 on April 5, 2006 (date).

Describe any changes other than editing from proposed to adopted version:

If a preliminary cost-benefit analysis was prepared under RCW 34.05.328, a final cost-benefit analysis is available by contacting:

Name: _____ phone () _____
Address: _____ fax () _____
e-mail _____

EMERGENCY RULE ONLY

Under RCW 34.05.350 the agency for good cause finds:

- ☐ That immediate adoption, amendment, or repeal of a rule is necessary for the preservation of the public health, safety, or general welfare, and that observing the time requirements of notice and opportunity to comment upon adoption of a permanent rule would be contrary to the public interest.
- ☐ That state or federal law or federal rule or a federal deadline for state receipt of federal funds requires immediate adoption of a rule.

Reasons for this finding:

Date adopted: May 30, 2006

NAME (TYPE OR PRINT)

Mike Kreidler

SIGNATURE

TITLE

Insurance Commissioner

CODE REVISER USE ONLY
Information input by Agency

CODE REVISER'S OFFICE
STATE OF WASHINGTON
FILED

MAY 30 2006

TIME 3:40 **PM**
WSR 06-12-025

**Note: If any category is left blank, it will be calculated as zero.
No descriptive text.**

**Count by whole WAC sections only, from the WAC number through the history note.
A section may be counted in more than one category.**

The number of sections adopted in order to comply with:

Federal statute:	New	_____	Amended	_____	Repealed	_____
Federal rules or standards:	New	_____	Amended	_____	Repealed	_____
Recently enacted state statutes:	New	_____	Amended	_____	Repealed	_____

The number of sections adopted at the request of a nongovernmental entity:

New	_____	Amended	_____	Repealed	_____
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The number of sections adopted in the agency's own initiative:

New	_____	Amended	<u>32</u>	Repealed	<u>3</u>
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The number of sections adopted in order to clarify, streamline, or reform agency procedures:

New	_____	Amended	<u>32</u>	Repealed	<u>3</u>
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The number of sections adopted using:

Negotiated rule making:	New	_____	Amended	_____	Repealed	_____
Pilot rule making:	New	_____	Amended	_____	Repealed	_____
Other alternative rule making:	New	_____	Amended	_____	Repealed	_____

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NEW SECTION

WAC 284-17-421 What definitions apply to WAC 284-17-421 through 284-17-483? (1) "Business entity" means a corporation, partnership, limited liability company, or limited liability partnership.

(2) "Sending written notice" or "sending a copy of the written notice" means transmitting the required information in writing and, where appropriate, on forms designated by the commissioner for that purpose, via mail, commercial parcel delivery company, electronic telefacsimile transmission, or e-mail.

(3) "NIPR" means the National Insurance Producer Registry or other equivalent organization or entity designated or maintained by the National Association of Insurance Commissioners, its affiliates, or subsidiaries.

NEW SECTION

WAC 284-17-423 How long are initial and reinstated individual licenses in effect? Initial and reinstated individual licenses are valid from the date of issuance until the date of the licensee's next birthday anniversary plus one year.

NEW SECTION

WAC 284-17-425 How long are initial and reinstated business entity licenses in effect? Initial and reinstated business entity licenses are valid for a period of two years from the date of issuance.

NEW SECTION

WAC 284-17-427 What is the renewal period for a license? The renewal period for all licenses is two years.

NEW SECTION

WAC 284-17-429 How long is an initial appointment valid? Initial appointments are valid for the period ending with the insurer's first appointment renewal date after the initial issue date of the appointment. The appointment renewal date for the insurer is assigned by the commissioner.

NEW SECTION

WAC 284-17-431 What is the renewal period for an appointment? The renewal period for all appointments is two years.

NEW SECTION

WAC 284-17-433 How long is an appointment effective? Each appointment is effective until the agent's license expires or is revoked, the appointment has expired, or written notice of termination of the appointment is received by the commissioner, whichever occurs first.

NEW SECTION

WAC 284-17-435 How will the commissioner notify an insurer that an agent has been appointed? The commissioner will confirm the agent's appointment by sending written notice to the insurer within fifteen calendar days after receipt of the appointment by the commissioner.

NEW SECTION

WAC 284-17-437 How may an agent be appointed? An agent may be appointed by using one of the following methods:

(1) By submitting the appointment electronically through NIPR (preferred method); or

(2) By submitting the appointment to the commissioner using the form provided by the commissioner for that purpose. The form may be obtained upon request or may be found at the commissioner's web site.

NEW SECTION

WAC 284-17-439 How will the commissioner notify an insurer if an agent is not eligible for an electronic appointment? If an agent is not eligible for an electronic appointment, the insurer will be notified when the electronic appointment is not accepted for transmission through NIPR. An agent is not eligible for an appointment where the agent's license is not valid or the agent is not licensed for all lines of insurance that the appointing insurer is authorized to transact in the state of Washington.

NEW SECTION

WAC 284-17-441 How will the commissioner notify an insurer if an agent is ineligible for an appointment when the appointment has not been submitted electronically? The commissioner will notify an insurer that an agent is ineligible for an appointment when the appointment has not been submitted electronically by sending written notice to the insurer.

NEW SECTION

WAC 284-17-443 How may an insurer renew an agent's appointment? A renewal appointment list will be sent to the insurer identifying all of the insurer's agents whose appointments are due to expire. An insurer may renew an appointment by:

(1) Sending written notice to the commissioner that the appointment will be renewed; and

(2) Paying the renewal fee for each agent appointed by the insurer on the renewal date assigned by the commissioner.

NEW SECTION

WAC 284-17-445 How may an insurer terminate an appointment? An insurer may terminate an appointment by sending written notice of termination to the agent and by sending a notice of termination of the appointment to the commissioner:

(1) Electronically through NIPR (preferred method); or

(2) Using the form provided by the commissioner for that purpose. The form may be obtained upon request or may be found at the commissioner's web site.

NEW SECTION

WAC 284-17-447 How may an agent terminate an appointment? An agent may terminate an appointment by sending advance written notice to the insurer stating:

(1) The agent will no longer act as a representative of the insurer; and

(2) The effective date of the termination.

The agent must also send a copy of the written notice to the commissioner.

NEW SECTION

WAC 284-17-449 When an agent's appointment is terminated "for cause," what procedure must be followed in notifying the commissioner? If an insurer or its authorized representative terminates the appointment of an agent "for cause," the insurer must notify the insurance commissioner within thirty days following the effective date of the termination by sending written notice of termination of the appointment "for cause" to the commissioner.

NEW SECTION

WAC 284-17-451 What information must be provided relating to a "for cause" termination? Upon the written request of the commissioner, the insurer shall provide additional information, documents, records or other data pertaining to the "for cause" termination or activity of the agent.

NEW SECTION

WAC 284-17-453 What conduct constitutes "for cause"? "For cause" includes the following conduct:

- (1) Providing incorrect, misleading, incomplete or materially untrue information in the license application;
- (2) Violating any insurance laws, or violating any regulation, subpoena or order of the commissioner or of another state's insurance commissioner;
- (3) Obtaining or attempting to obtain a license through misrepresentation or fraud;
- (4) Improperly withholding, misappropriating or converting any moneys or properties received in the course of doing insurance business;
- (5) Intentionally misrepresenting the terms of an actual or proposed insurance contract or application for insurance;
- (6) Having been convicted of a felony;
- (7) Having admitted or been found to have committed any insurance unfair trade practice or fraud;
- (8) Using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere;
- (9) Having an insurance license, denied, suspended or revoked in any other state, province, district or territory;
- (10) Forging another's name to an application for insurance or to any document related to an insurance transaction;
- (11) Knowingly accepting insurance business from an individual who is not licensed;
- (12) Incompetence;
- (13) Failure to account for premiums;
- (14) Rebating; and
- (15) Abandonment.

NEW SECTION

WAC 284-17-455 Is an agent required to be licensed for the same lines of authority as the appointing insurer? An applicant for an agent's license must be licensed for all lines of insurance that the appointing insurer is authorized to transact in the state of Washington with the following exceptions:

(1) Insurers authorized to write lines of insurance in addition to vehicle insurance or surety insurance may appoint agents to write vehicle insurance or surety insurance only. It is only necessary that these appointees take a qualifying examination for vehicle insurance or surety insurance.

(2) Where the appointment is for the "limited" licenses of travel, credit life and disability, credit casualty, specialty producers, or rental car agents, it is not necessary for the applicant to be licensed for all lines of insurance that the appointing insurer is authorized to transact in the state of Washington.

NEW SECTION

WAC 284-17-457 May a licensed agent act as a representative of an insurer and solicit insurance on its behalf before notifying the commissioner of the appointment? A licensed agent may act as a representative of an insurer and solicit insurance on its behalf before notifying the commissioner of the appointment where:

- (1) The agent is appointed by the insurer; and
- (2) The notice of appointment is submitted electronically through NIPR.

NEW SECTION

WAC 284-17-459 How long may a licensed agent act as a representative of an insurer and solicit insurance on its behalf before notifying the commissioner of the appointment? A licensed agent may act as a representative of an insurer and solicit insurance on its behalf before notifying the commissioner of the appointment for up to thirty calendar days after the date the agent has signed the first application for insurance for submission to the insurer.

NEW SECTION

WAC 284-17-461 May a licensed agent act as a representative of an insurer and solicit insurance on its behalf before notifying the commissioner of the appointment if the notice of appointment is not submitted electronically? If the notice of appointment is not submitted electronically, the commissioner must receive written notice of the appointment and accept the appointment before the licensed agent may act as a representative of an insurer and solicit insurance on its behalf.

NEW SECTION

WAC 284-17-463 Who is responsible for ensuring that the agent is eligible for appointment? The agent and the appointing insurer are responsible for ensuring that the agent is eligible for appointment.

NEW SECTION

WAC 284-17-467 What are the consequences when an agent has solicited insurance on behalf of an insurer as authorized by WAC 284-17-457 but is later determined not to be eligible for appointment by the insurer? When an agent has solicited insurance on behalf of an insurer as authorized by WAC 284-17-457 but is later determined not to be eligible for appointment by the insurer:

- (1) The insurance will be effective;
- (2) The agent is not entitled to receive compensation for any insurance or insurance product sold by the agent; and
- (3) The agent and the insurer may be subject to disciplinary action under RCW 48.17.530.

NEW SECTION

WAC 284-17-469 Is the insurer responsible for the acts of the agent during the period of time the agent is acting as a representative of the insurer or soliciting insurance on its behalf? The insurer is responsible for the acts of the agent during the period of time the agent is acting as a representative of the insurer or soliciting insurance on its behalf but before the commissioner is notified of the appointment. This is the case whether or not the thirty-calendar-day period after the date the agent has signed the first application for insurance for submission to the insurer has elapsed. Any misconduct or errors that may occur during this time will be the responsibility of the insurer and the agent.

NEW SECTION

WAC 284-17-471 What are the consequences if the commissioner is not notified of the appointment within thirty calendar days after the date the agent has signed the first application for insurance for submission to the insurer and the agent continues to act as a representative of the insurer or solicit insurance on its behalf? If the commissioner is not notified of the appointment within thirty calendar days after the date the agent has signed the first application for insurance for submission to the insurer, the agent may no longer act as a representative of the insurer or solicit insurance on its behalf. If the agent continues to do so, the insurance will be effective but the agent and the insurer may be subject to disciplinary action under RCW 48.17.530.

NEW SECTION

WAC 284-17-473 Is a business entity licensed as an agent, adjuster or broker required to affiliate an individual licensee? Each business entity licensed as an agent, adjuster or broker must notify the commissioner of all individual licensees that represent the business entity and act on its behalf using the form provided by the commissioner for that purpose. The form may be obtained upon request or may be found at the commissioner's web site. Individual licensees that represent the business entity and act on its behalf are "affiliated" with the licensed business entity. A business entity licensee must have at least one individual licensee who is affiliated.

NEW SECTION

WAC 284-17-475 Must an individual licensee who is affiliated with a business entity license be individually appointed by insurers if the business entity is appointed by the insurer? If an individual licensee is affiliated with a business entity licensee, the individual is not required to be directly appointed by the insurer. The licensee's authority to act as an agent is limited to those lines for which the licensee is qualified and within the business entity's lines of authority.

NEW SECTION

WAC 284-17-477 How long is an affiliation valid? An affiliation by a business entity which is not revoked will be valid until the first renewal date after the notice of affiliation. Thereafter, each affiliation may be renewed for a period of two years upon payment of the annual affiliation renewal fee for each affiliation at the time of renewal of the business entity license.

NEW SECTION

WAC 284-17-479 How may a business entity terminate an affiliation? A business entity may terminate an affiliation of an individual by sending written notice of termination to the agent and a copy to the commissioner.

NEW SECTION

WAC 284-17-481 How should an insurer notify the commissioner of a termination of an affiliation "for cause"? If a business entity or its authorized representative terminates the affiliation of a producer "for cause," the business entity must notify the commissioner within thirty days following the effective date of the termination by sending written notice of termination of the affiliation to the commissioner.

NEW SECTION

WAC 284-17-482 What information must be provided relating to a "for cause" termination? Upon the written request of the commissioner, the business entity shall provide additional information, documents, records or other data pertaining to the "for cause" termination or conduct of the affiliated person.

NEW SECTION

WAC 284-17-483 How may an individual agent terminate an affiliation? An individual agent may terminate the agent's affiliation by sending advance written notice to the business entity stating:

(1) The agent will no longer act on behalf of the business entity; and

(2) The effective date of the termination.

The agent must also send a copy of the written notice to the commissioner.

REPEALER

The following sections of the Washington Administrative Code are repealed:

WAC 284-17-400	Renewal dates for agents, brokers, solicitors and adjusters.
WAC 284-17-410	Appointment renewal and termination procedures for insurance agents.
WAC 284-17-420	Appointment, affiliation and renewal procedures for licensed persons empowered to exercise the authority conferred to a corporate or firm licensee.